Office-Supreme Court, U.S.
FILED
OCT 4 1965
JOHN F. DAVIS, CLERK

LIBRARY
SUPREME COURT, U. S.

IN THE

Supreme Court of the United States

OCTOBER TERM, 1965

No. 366

McCULLOUGH TOOL COMPANY, ET AL.,
Petitioner

v.

WELL SURVEYS, INCORPORATED, ET AL.,
Respondent

REPLY BRIEF IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI

EDWARD S. IRONS
1000 Connecticut Ave., N.W.
Washington, D.C.

R. WELTON WHANN
315 West Ninth Street
Los Angeles, Calif. 90015
Attorneys for Petitioner

Of Counsel:

JAMES E. HARRINGTON
3415 Ocean Boulevard
Corona del Mar, Calif.

RICHARD B. McDERMOTT
Boesche, McDermott & Eskridge
Tulsa, Oklahoma 74103

The Daily Record Co., Baltimore, Md. 21203

INDEX

TABLE OF CONTENTS

	PAGE
I. Introduction	1
II. The Misuse Question 1	2
A. Respondent's Field Licenses Are Deliberate Post-Expiration Royalty Agreements — Automatic Radio v. Hazeltine Is Not In Point	8
B. The Decision Below Is Wrong In Principle	12
III. The Purge Question 2	13
IV. The "Equivalents" Question 3	16
V. Standard of Invention Question 4	21
VI. Conclusion	24
Appendix A—Schematic Representation of Patent Monopoly Extension Inherent in Respondent's Package "Field" Licenses	1a
Appendix B—Research-Service and License Agreement, dated June 1, 1956, between Well Surveys, Incorporated and Lane-Wells Company	2a

CASES CITED

American Securit Co. v. Shatterproof Glass Corp., 268 F. 2d 769 (1959) 7, 8, 10

Ar-Tik Systems, Inc. v. Dairy Queen, Inc., 302 F. 2d 496 (3 Cir. 1962) 3

Automatic Radio Mfg. Co. v. Hazeltine Research, 339 U.S. 827, 94 L. Ed. 1312, 70 S. Ct. 894 (1950) 4, 5, 7, 8

B. B. Chemical Co. v. Ellis, 314 U.S. 495, 86 L. Ed. 367, 62 S. Ct. 406 (1942) 6, 7, 14, 15

Brulotte v. Thys Co., 379 U.S. 29, 13 L. Ed. 2d 99, 85 S. Ct. 176 (1964) 3, 4, 5, 6, 7, 11, 12

PAGE

Crest Specialty v. Trager, 341 U.S. 912, 95 L. Ed. 1349, 71 S. Ct. 733 (1951) 22

Dalehite v. United States, 346 U.S. 15, 97 L. Ed. 1427, 73 S. Ct. 956 (1953) 22

Fuller v. Yentzer, 94 U.S. 288, 24 L. Ed. 103 (1877) 18

General Electric Co. v. Wabash Appliance Corp., 304 U.S. 364, 82 L. Ed. 1402, 58 S. Ct. 899 (1938) 12

Gill v. Wells, 89 U.S. (22 Wall.) 1, 22 L. Ed. 699 (1874) 18

Goodyear Tire & Rubber Co. v. Ray-O-Vac Co., 321 U.S. 275, 88 L. Ed. 721, 64 S. Ct. 593 (1944) 22, 23

Gould v. Rees, 82 U.S. (15 Wall.) 187, 21 L. Ed. 39 (1872) 18

Graver Tank & Mfg. Co. v. Linde Air Products Co., 336 U.S. 271, 93 L. Ed. 672, 69 S. Ct. 535 (1949) 22

Great A. & P. Tea Co. v. Supermarket Equip. Corp., 340 U.S. 147, 95 L. Ed. 162, 71 S. Ct. 127 (1951) 21, 22, 23

Halliburton Oil Well Cementing Co. v. Walker, 329 U.S. 1, 91 L. Ed. 3, 67 S. Ct. 6 (1946) 17, 18, 19

Kellogg Co. v. National Biscuit Co., 305 U.S. 111, 83 L. Ed. 73, 59 S. Ct. 109 (1938) 12

Mercoid Corp. v. Mid-Continent Invest. Co., 320 U.S. 661, 88 L. Ed. 376, 64 S. Ct. 268 (1944) 13

O'Reilly v. Morse, 56 U.S. (15 How.) 62, 14 L. Ed. 601 (1853) 19

Performed Line Products Co. v. Fanner Mfg. Co., 328 F. 2d 265 (1964), *cert. den.*, 379 U.S. 846, 13 L. Ed. 2d 51, 85 S. Ct. 56 (1965) 14

Scott Paper Co. v. Marcalus Mfg. Co., 326 U.S. 249, 90 L. Ed. 47, 66 S. Ct. 101 (1945) 3, 4, 7, 12

Singer Mfg. Co. v. June Mfg. Co., 163 U.S. 169, 41 L. Ed. 118, 16 S. Ct. 1002 (1896) 12

Technograph Printed Circuits v. Bendix Aviation Corp., 218 F. Supp. 1 (D. Md. 1963), *aff'd per curiam* 327 F. 2d 497 (4 Cir. 1964) 3, 7

United Shoe Machinery Corp. v. Industrial Shoe Mach. Corp., 223 F. Supp. 826 (D. Mass. 1963),

PAGE

reversed in part 335 F. 2d 577 (1 Cir. 1964), *cert. den.* 379 U.S. 90, 13 L. Ed. 2d 610 (1965) 23

United States v. Line Material Co., 333 U.S. 287, 92 L. Ed. 701, 68 S. Ct. 550 (1948) 5

United States v. Loew's, Inc., 371 U.S. 38, 9 L. Ed. 2d 11, 83 S. Ct. 97 (1962) 10

United States v. Mississippi Valley Generating Co., 364 U.S. 520, 5 L. Ed. 2d 268, 81 S. Ct. 294 (1961) 22

United States v. National Lead Co., 63 F. Supp. 513 (S.D.N.Y. 1945), *aff'd* 332 U.S. 310, 91 L. Ed. 2077, 67 S. Ct. 1634 (1947) 6, 7

United States v. Paramount Pictures, Inc., 334 U.S. 131, 92 L. Ed. 1260, 68 S. Ct. 915 (1948) 10

United States v. Parke, Davis & Co., 362 U.S. 29, 4 L. Ed. 2d 505, 80 S. Ct. 503 (1960) 22

United States v. Univis Lens Co., 316 U.S. 241, 86 L. Ed. 1408, 62 S. Ct. 1088 (1942) 5

Williams Mfg. Co. v. United Shoe Mach. Corp., 316 U.S. 364, 86 L. Ed. 1537, 62 S. Ct. 1179 (1942) 22, 23

OTHER AUTHORITIES CITED

35 U.S.C. 103 ..... 1, 22

35 U.S.C. 112 ..... 12, 13, 16, 17, 18, 19

35 U.S.C. 132 19

35 U.S.C. 154 ..... 6, 12

Federal Civil Rule 52(a) 1

R.S. 4886 (Repealed Statute) 23

Private Letters of Thomas Jefferson, Letter to Oliver Evans, Washington Edition, Vol. VI, page 298 (1814) 21

Edwards, "Efforts to Establish a Statutory Standard of Invention", Study No. 7, Subcommittee on Patents, Trademarks and Copyrights of the Senate Committee on the Judiciary, 85th Congress, 1st Session 22, 23

IN THE

Supreme Court of the United States

OCTOBER TERM, 1965

No. 366

McCULLOUGH TOOL COMPANY, ET AL.,
Petitioner

v.

WELL SURVEYS, INCORPORATED, ET AL.,
Respondent

REPLY BRIEF IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI

I. INTRODUCTION

This Court this term is asked to depart from precedent consistently followed for a century and a half to render a series of opinions which would facilitate the acquisition and enforcement of trivial patents.[1]

First, it is urged that Congress, by the enactment of 35 U.S.C. 103, intended to lower the standard of invention. Second, it is insisted that the question of "obviousness" under the statute is a question of fact subject to Rule 52(a) and hence free from appellate review in the absence of clear error. Finally, and somewhat inconsistently, it is urged that the "fact" question of obviousness is to be determined in light of post-invention commercial success rather than the state of the art "at the time the invention was

[1] Specifically, in five *amicus* briefs and the brief of the petitioner in No. 11 and the briefs of the respondents in Nos. 37, 43 and 55.

made" as the statute and the antecedent case law expressly require.

Individually, and particularly in combination, these premises, if accepted by the Court, would subvert the Constitution by conferring the patent monopoly for the first time on the product of the routineer.

This case affords an opportunity to extend the guidelines to be enunciated for determination of the validity of combination claims[2] to the field of infringement where the need is at least as great.

It presents for review a decision, in conflict with controlling decisions here and with the apposite decisions in the lower courts, sustaining the most widely used legal device for the extension of patent monopolies to unpatented subject matter. It affords an opportunity to rehabilitate the misuse doctrine by a reaffirmation of the essential prerequisites to an effective purge which have suffered serious attrition in the lower federal courts — and to resolve the conflict of decision on this important issue.

II. THE MISUSE QUESTION 1

Respondent's difficulty is not with record support for Question 1 (R. Br. 2) but, rather, with the illegality of its package field licenses which the question exposes.[3] There

---

[2] In Nos. 11, 37, 43 and 55.

[3] Respondent's assertion that "Question 1 as stated by Petitioner is not presented by the record" (R. Br. 2) is hard to understand. Question 1 is expressly referenced by its footnote 1 to the decision of the court below. That opinion, paraphrasing Findings 122 (App. 109a) and 127 (App. 110a) of the trial court states:

> ". . . The record . . . shows that the royalty base in many, if not all, of the license agreements includes operations covered by patents that expired after the agreements were entered into by the parties" (App. 51a-52a, Pet. 2).

In an effort to blunt the force of the question, Respondent now insists that what the lower courts *really* meant was that "the royalty

is intrinsic evidence in the record that Respondent's field licenses were deliberately framed to project the spent Bender and Fearon monopolies into the post-expiration period (Section II-A, *infra*, p. 8). The decision below is wrong in principle (Section II-B, *infra*, p. 12) and it is in conflict with the apposite decisions of this Court and the lower federal courts (*infra*, pp. 7, 8).

Package field licenses of the type utilized by Respondent represent the most widely used surviving legal device for extension of patent monopolies to unpatented subject matter. As the decision below demonstrates, this illegal licensing practice survives as a consequence of the reluctance of the lower federal courts to apply the rule that " 'whatever the legal device employed' (Scott Paper Co. v. Marcalus Co., . . . 326 US 256, 90 L ed 51) a projection of the patent monopoly after the patent expires is not enforceable. . . ."[4]

---

base . . . of the license agreements includes operations covered by patents that expired after the agreements were entered into by the parties . . ." *but also covered by one or more of the alleged improvement patents which have not expired.*

Neither court below made any such finding. There is no credible evidence on which such a finding could be based — including the speculative, self-serving, hearsay, opinion testimony of Dr. Buck, its "Vice President and Technical Director" (R. Br. Annex A 41) dredged up by Respondent.

[4] Respondent, attempting to distinguish *Scott Paper Co.*, argues for a restricted interpretation of the rule in that case. In essence, Respondent contends that the guarantee to the public of the free use of the disclosure of an expired patent does not mean "free" from a financial standpoint and does not prohibit the exaction of post-expiration royalties. Every court specificially passing on the point, with the exception of the lower court in *Brulotte* and the lower court in this case, has recognized the obvious fact that a patentee does indeed "recapture a part of the expired monopoly" by the exaction of royalties in the post-expiration period. *Ar-Tik Systems, Inc. v. Dairy Queen, Inc.*, 302 F. 2d 496 (3 Cir. 1962) and *Technograph Printed Circuits v. Bendix Aviation Corp.*, 218 F. Supp. 1 (D. Md. 1963), *aff'd per curiam* 327 F. 2d 497 (4 Cir. 1964). Respondent's assertion that

> ". . . if, as a matter of accounting convenience, he [a potential licensee] voluntarily agrees to make payment for his license

and its necessary corollary that "a patentee's use of a royalty agreement that projects beyond the expiration date of the patent is unlawful per se" since "the free market visualized for the post-expiration period would be subject to monopoly influences that have no proper place there." *Brulotte v. Thys Co.*, 379 U.S. 29, 13 L. Ed. 2d 99, 102, 85 S. Ct. 176 (1964).[5]

Both courts below expressly refused to apply the principles of *Scott Paper* and *Brulotte* and, like the lower court in *Brulotte*, relied instead upon the inapposite decision in *Automatic Radio Mfg. Co. v. Hazeltine Research*, 339 U.S. 827, 94 L. Ed. 1312, 70 S. Ct. 894 (1950), to sustain, on the ground of business convenience, Respondent's field license agreements which admittedly exact royalties for all "radioactivity well logging operations, including those covered by the expired Bender and Fearon neutron patents, . . ." (F. F. 127, App. 110a).

In so holding, the court ignored the admonition of *Brulotte* that

> "The petition for certiorari [in Automatic Radio] did not in the questions presented raise the question of the

---

under unexpired patents in the form of a royalty on his total sales, without separating out any operations uncovered by patents or on which the patent has expired, he may do so, and neither he nor the public is deprived of any right" (R. Br. 27)

is in the teeth of the holding in *Scott Paper* that the rights in the invention of an expired patent are "no longer subject to private barter, sale or waiver" because it is the aim of the patent laws that the consuming public "shall receive the benefits of the unrestricted exploitation, *by others,*" of the dedicated subject matter. Respondent cannot distinguish *Scott Paper* and cannot effectively deny the conflict between the decision below and the rule announced in *Scott Paper* and reaffirmed in *Brulotte*.

[5] The projection of the Bender and Fearon patents into the post-expiration period which was the intended consequence of Respondent's field licensing plan is graphically demonstrated by the fold-out Appendix A.

> effect of the expiration of any of the patents on the royalty agreement. . . ." (13 L. Ed. 2d 102, note 5)

— and it ignored the refusal of this Court in *Brulotte* "to extend" *Automatic Radio* "so as to project the patent monopoly beyond the 17-year period."

The decision below is particularly objectionable because it accepts the premise, rejected by this Court in *Brulotte*, that private parties may *voluntarily* agree to a licensing arrangement which extends the royalty for the patented invention into the post-expiration period.[6]

This approach plainly makes "the inventor's reward the prime rather than an incidental object of the patent system". *United States v. Line Material Co.*, 333 U.S. 287, 318, 92 L. Ed. 701, 723, 68 S. Ct. 550 (1948) (concurring opinion). It is incompatible with the principles, announced by this Court in many other cases, that the rights granted by a patent must be confined "strictly to the terms of the statutory grant" (*United States v. Univis Lens Co.*, 316 U.S. 241, 251, 86 L. Ed. 1408, 1419, 62 S. Ct. 1088 (1942)); that the patent monopoly may not be enlarged merely because "it would be more convenient to the patentee to have it so, or because he cannot avail himself of its benefits within the

---

[6] Note the emphasis on the "voluntary" nature of Respondent's licenses in the opinion below both in its statement of the question for decision (App. 53a, R. Br. 2) and elsewhere, *e.g.*, App. 55a.

In *Brulotte*, Respondent Thys unconvincingly argued at page 31 of its brief that the license agreements there in suit were legal because "there was . . . *no coercion nor unlawful mandatory package license*" (emphasis by Respondent Thys).* As the decision in *Brulotte* recognizes, the illegal extension of the statutory monopoly to unpatented articles by any post-expiration royalty agreement is in no way dependent upon the question of coercion. In such cases *per se* illegality is a consequence of the fact that upon the expiration of the patent the "monopoly ceases to exist".

---

* [Unless otherwise indicated, all emphasis herein is supplied.]

limits of the grant" (*B. B. Chemical Co. v. Ellis*, 314 U.S. 495, 498, 86 L. Ed. 367, 370, 62 S. Ct. 406 (1942)).

Respondent seeks to compromise the *per se* illegality of its post-expiration royalties on the strength of the statement in *Brulotte* that ". . . after expiration of the *last* of the patents incorporated in the machines, the grant of patent monopoly was spent, . . ." (R. Br. 19). Respondent argues that in the present case some 70 or 75 patents in the radioactivity well logging field were "still unexpired" (R. Br. 19).

As shown in Appendix A, the package field licenses of the type used by Respondent *necessarily* have the effect of projecting the monopolies of the expired patents. In the greatly predominant portion of Respondent's "royalty base", "*the last* of the patents" *had* expired. The unexpired patents provide the leverage by which the continuation of toll for the expired monopolies is extracted. Indeed, it is conventional practice in such field licenses to require payment of the fixed royalty throughout the much longer *license term* which is substituted for the 17-year statutory limit of the licensed monopolies.

Such post-expiration royalty agreements are always justified by inclusion in the package of some form of "consideration" which survives the expiration of the basic patents licensed and exists in perpetuity. Thus, such licenses normally include as a part of the recited consideration for the royalty payment not only issued patents but also pending and even prospectively pending patent applications, alleged trademark rights and alleged know-how. The illegality inherent in such arrangements which effectively substitutes the term of a private contract for the 17-year patent term specified by 35 U.S.C. 154 to extend royalty income in perpetuity was recognized in *United States v. Na-*

tional Lead Co., 63 F. Supp. 513, 524 (S.D. N.Y. 1945), *aff'd*, 332 U.S. 310, 91 L. Ed. 2077, 67 S. Ct. 1634 (1947) (cited and quoted Pet. 28).

The court below construed *Brulotte* to condone just such an arrangement.

Question 1 clearly involves principles, the settlement of which is of importance to the public as distinguished from the parties. The *entire* radioactivity well logging industry, with the exception of Petitioner, has accepted Respondent's licensing arrangements. As Respondent acknowledges, such licensing arrangements are "a very common practice. . . . Licenses of this type are particularly common in industries involving a high level of research and development, such as the electronics, chemical, petroleum and radio industries, . . ." (Pet. 20).

The legality of these widely used licensing arrangements turns upon the proper application of the apposite decisions of this Court including *Scott Paper*, *Brulotte*, and *Automatic Radio*. The lower courts are presently in direct conflict on the basic issues involved. The decision of the Tenth Circuit in this case conflicts directly with the decision of the Third Circuit in *American Securit Co. v. Shatterproof Glass Corp.*, 268 F. 2d 769 (1959) and with the decision of the U.S. District Court for the District of Maryland in *Technograph Printed Circuits v. Bendix Aviation Corp.*, 218 F. Supp. 1 (1963), *aff'd per curiam on other grounds* 327 F. 2d 497 (4 Cir. 1964)[7] (Pet. 24-29).

---

[7] As stated in the Petition:

"In this case, the Tenth Circuit has expressly condoned respondent's package 'filed' licenses pursuant to which it *still* collects royalties on the 'pioneer' Bender patent which expired in 1955 and on the Fearon patent which expired in 1960.

"The Third Circuit, in *American Securit*, held a package 'field' license of the same type illegal for the very reason that it extended for the life of the agreement the payment of

Petitioner again urges that

> "Review should be granted to dispel *at this time* any residual argument that *Automatic Radio* in any way compromises the paramount public right to the free use by all of the subject matter of a spent patent monopoly.
>
> "It should be made clear *now* that the particular facts of *Brulotte* afford no basis for avoiding its fundamental ruling which condemns, as *per se* illegal, *all* efforts to project expired patents into another term, *whatever* the legal devices employed." (Pet. 24).

A. Respondent's Field Licenses Are Deliberate Post-Expiration Royalty Agreements — Automatic Radio v. Hazeltine Is Not In Point

Both courts below ignored the intrinsic evidence by which this case is distinguished from *Automatic Radio* and

---

royalties on patents which had expired during the contract term" (Pet. 26-27).

Respondent, in its brief in opposition, does not deny the conflict in decision on this fundamental point. Rather, Respondent seeks to obscure the conflict by a semantic argument based on an interpretation of that portion of the *American Securit* opinion relating to the termination clause of the Shatterproof license. It is self-evident from an examination of the opinion in *American Securit* that the termination clause was not the controlling factor in the decision. Moreover, the Respondent's purported distinction even with respect to the termination clause lacks substance. The reference in the *American Securit* decision to the fact that the termination clause works an " 'aggravating hardship' on the licensee . . . in that it demands the renunciation of all patents, whether wanted or unwanted under the license" obviously refers, in point of time, to the date of termination of the agreement — and not to the inducement of the contract as Respondent asserts. The licensee in *American Securit*, like Respondent's licensees (see Section B, *infra*, p. 12), could *not* cancel as to the expired patents *only* on the date of expiration, and hence was *obligated* to continue to pay royalties on the spent monopolies for the full term of the license agreement to retain the right to use the inventions of the unexpired patents. Such a provision, albeit condoned below, is obviously illegal as the Third Circuit recognized.

which demonstrates "that respondent's licenses were *not* adopted as a mere matter of business convenience — but instead were *deliberately* framed to extend the spent monopolies of the Bender and Fearon patents into another term" (Pet. 23).

The Respondent's practices here relevant are typified by the license agreement with Lane-Wells, dated June 1, 1956,[8] the date of the alleged purge. Pursuant to this representative agreement, a copy of which is reproduced as Appendix B, royalty is paid "on each well surveyed under this *license*" (Par. 5.02). The *"license"*, in turn, is granted broadly "to practice Radioactivity Well Surveying for hire" (Par. 2.01). These two provisions thus expressly require royalty payments on any activity which falls within the licensed field of "Radioactivity Well Surveying". This *field*, in turn, is defined in paragraph 2.01 in terms sufficiently broad to cover operations effected *only* under the Bender patent which expired in 1955 before the agreement was consummated and also *only* under the Fearon patent which would expire on January 12, 1960.[9] Paragraph 6.04 precludes termination of the agreement by Lane-Wells, the licensee, until "the fifth anniversary of the date hereof" — in other words, until June 1, 1961, some 18 months *after* the Fearon expiration date. Even on the "fifth anniversary" the licensee Lane-Wells was required to cancel as to "all patents, whether wanted or unwanted under the license". In other words to continue a license under the unexpired "important *Swift* patent" (R. Br. 21) Lane-Wells was *obligated* to

---

[8] Ex. 501, First Book of Contracts, Agreement No. 11.

[9] This, of course, is the basis for Findings of Fact 122 (App. 109a) and 127 (App. 110a) summarized in the acknowledgment by the court below that "The record also shows that the royalty base in many, if not all, of the license agreements includes operations covered by patents that expired after the agreements were entered into by the parties" (App. 51a-52a).

continue to pay royalty on *all* operations within "Radioactivity Well Surveying" and hence under the spent Bender and Fearon monopolies.[10] "Respondent's royalty reward is not determined by the quality of each of its patents individually. Respondent has fashioned a fagot of expired and unexpired patents in which each patent strengthens its monopoly by drawing on another" (Pet. 29). Such an arrangement is in conflict with the rule announced in *United States v. Paramount Pictures, Inc.*, 334 U.S. 131, 92 L. Ed. 1260, 68 S. Ct. 915 (1948) and reaffirmed verbatim in *United States v. Loew's, Inc.*, 371 U.S. 38, 9 L. Ed. 2d 11, 83 S. Ct. 97 (1962), that each patent "must stand on its own footing and not in whole or in part on the appeal of another" (Pet. 29).

This objectionable combination of provisions, *i.e.*, a broad field definition covering all radioactivity well logging operations coupled with a five-year minimum term during which the licensee could not cancel but during which important patents would expire, had its origin in the "Research and Service" and "Immunity" agreement forms specified for third parties in the illegal April 16, 1951 agreement between Respondent and Lane-Wells (Pet. 12).[11]

The same objectionable combination of provisions typified Respondent's licenses issued long after the alleged purge date. For example, the definition of "Radioactivity Well Surveying" which appears in the June 1, 1956 Lane-Wells license is, in terms, identical, *inter alia*, with the same definition of the same expression in the June 27, 1951 Welex

---

[10] Compare the characterization of just such an expiration clause as an "aggravating hardship" by the Third Circuit in *American Securit, supra.* Respondent acknowledges that "The form of the expiration clause in WSI's Research Service agreement is similar to that quoted by the court" in *American Securit* (R. Br. 28).

[11] Ex. 501, First Book of Contracts, Agreement No. 9, Exhibits A and B.

license, the October 17, 1957 Huskey Guns license, and the November 1, 1958 Great Lakes Petroleum Services "Immunity" agreement. All of these agreements included a minimum term of five years.[12] All of the agreements exact royalties for one patent (Bender) already expired when they were consummated and for another patent (Fearon) certain to expire before the minimum five-year license term elapsed.

The necessary and obviously intended effect of Respondent's use from 1951 at least until 1958 of license agreements including the *identical* "field" or royalty base, broadly defined without regard to the limits of the patent claims to cover all "Radioactivity Well Logging Operations" was to extend into the post-expiration period the royalty income from the patents which would expire, including the basic Bender patent and the Fearon patent.

The conclusion that just such a result was the *very* thing *intended* becomes inescapable in light of Respondent's consistent policy during the same period of specifying a minimum four or five year term during which the licensee could *not* cancel or reduce its royalty payment notwithstanding the expiration of some of the licensed patents including Bender and Fearon.

As in *Brulotte,* Respondent's "licenses draw no line between the term of the patent and the post-expiration period. The same provisions as respects both use and royalties are applicable to each. The contracts are, therefore, on their face a bald attempt to exact the same terms and conditions for the period after the patents have expired as they do for the monopoly period." *Brulotte v. Thys Co., supra.*

---

[12] Except the Great Lakes Petroleum "Immunity" agreement which specifies a four-year term. This agreement, however, was granted in 1958 and during the four-year term the Fearon patent would expire on January 12, 1960.

B. The Decision Below Is Wrong In Principle

The Constitution requires that patents be granted only for "limited times". Total dedication of the invention to the public when the patent expires is the consideration exacted by the Constitution for the grant of the monopoly.[13]

To insure that the dedication is meaningful, the statutes for many years have required that the specific invention monopolized shall be precisely defined in the patent claims. *"The limits of a patent must be known for . . . the assurance that the subject of the patent will be dedicated ultimately to the public." General Electric Co. v. Wabash Appliance Corp.*, 304 U.S. 364, 369, 82 L. Ed. 1402, 1405, 58 S. Ct. 899 (1938).

These constitutional and statutory limitations are presently expressed by 35 U.S.C. 154 which restricts the patent term to seventeen years and by 35 U.S.C. 112 which requires that "The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the . . . invention."

The minimum term package "field" licenses utilized by Respondent subvert both of these constitutional and statutory mandates.

These field licenses

(a) *illegally substitute* for the statutory seventeen-year *term* (35 U.S.C. 154) of the licensed patents, including the expired Bender and Fearon patents, the *term*, including the five-year minimum, during which

---

[13] *Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111, 83 L. Ed. 73, 59 S. Ct. 109 (1938); *Singer Mfg. Co. v. June Mfg. Co.*, 163 U.S. 169, 41 L. Ed. 118, 16 S. Ct. 1002 (1896); *Scott Paper Co. v. Marcalus Mfg. Co.*, 326 U.S. 249, 90 L. Ed. 47, 66 S. Ct. 101 (1945); and *Brulotte v. Thys Co.*, 379 U.S. 29, 13 L. Ed. 2d 99, 85 S. Ct. 176 (1964).

at least some of the licensed patents would expire, of the various private agreements between Respondent and its licensees; and

(b) *illegally substitute* for the *claims* required by 35 U.S.C. 112, a "field" or "royalty base" carefully drafted to cover all "radioactivity well logging operations, including those covered by the expired Bender and Fearon neutron patents" (F. F. 127, App. 110a).

These insidious agreements strike at the heart of the patent system. By these licenses, Respondent has indeed functioned "as its own Patent Office" in derogation of the Constitution and the patent laws. *Cf. Mercoid Corp. v. Mid-Continent Invest. Co.*, 320 U.S. 661, 667, 88 L. Ed. 376, 64 S. Ct. 268 (1944).

III. THE PURGE QUESTION 2

The decision below is the latest of an unfortunate line of cases which attenuate the misuse doctrine by a dilution of the sanctions prescribed by this Court for its violation.

This Court has consistently held that a patent owner guilty of misuse has a dual burden. First, the illegal activity must be stopped. Second, the patent owner must show that the consequences of the illegal actions have been dissipated.

This second requirement — that the patent owner show dissipation of the consequences of his illegal actions — has been *eliminated* from the requirements for an effective purge in the Third and Fourth Circuits and, by the decision below, in the Tenth Circuit. In these circuits, mere abandonment of the illegal activity is an effective purge (Pet. 32-35).

These decisions, including the decision below, which eliminate proof of dissipation of the consequences of the misuse from the requirements for purgation, are in direct

conflict with (a) every relevant decision of this Court, and (b) the 1965 decision of the Sixth Circuit in *Preformed Line Products Co. v. Fanner Mfg. Co.*, 328 F. 2d 265 (1964), *cert. den.* 379 U.S. 846, 13 L. Ed. 2d 51, 85 S. Ct. 56 (1965), (Pet. 32-33).[14]

The decision below goes farther than any prior appellate decision to relax the standards of purgation demanded by this Court. The Tenth Circuit in this case has held that it is not even necessary that *all* of the illegal practices be abandoned. Abandonment of *some*, coupled with a mere *offer* to terminate others of the illegal practices was found sufficient to constitute a purge by the court below. On this point, the decision is in conflict with the rule of this Court in *B. B. Chemical Co. v. Ellis, supra*, in which the Court rejected a similar offer, stating:

> ". . . petitioner suggests that it is entitled to relief because it is now willing to give unconditional licenses to manufacturers on a royalty basis, which it offers to do. It will be appropriate to consider petitioner's right to relief when it is able to show that it has fully abandoned its present method of restraining competition in the sale of unpatented articles and that the consequences of that practice have been fully dissipated" (314 U.S. 498, 86 L. Ed. 370).

The erosion of the misuse doctrine inherent in the decision below cannot be concealed by the argument that the issue of whether a purge is committed is a "question of fact" "largely discretionary with the trial court" (R. Br. 32).

The issue here is whether or not the lower federal courts, including the Court of Appeals in this case, may attenuate the misuse doctrine by *eliminating the requirement* that the illegal practice must be *fully abandoned and* that the

---

[14] Respondent asserts, but significantly does not attempt to demonstrate, that "The decision of the lower courts herein is entirely consistent with *B. B. Chemical* and *Fanner*" (R. Br. 32).

consequences of the misuse be *fully dissipated* as a prerequisite to rehabilitation of the patent.

Respondent's further attempt to avoid the force of Question 2 by an unsupported challenge to its factual accuracy (R. Br. 3) serves only to demonstrate the importance of the issue.

Question 2 is squarely supported by the record. The trial court concluded as a matter of law that Respondent had misused its patents for 16 years from June 11, 1940 until June 1, 1956 "in violation of the policy of the United States relating to the grant, holding and exploitation of patents" (Conclusion of Law 22, App. 117a). Respondent admits that at least two of the illegal licenses — the very agreements which both courts found to constitute a "prohibited tying arrangement" (App. 48a-49a, Pet. 32) — survived the purge date (R. Br. 15, 33). Hence Respondent admits the assertion in the question that it merely abandoned "some but not all of the practices found to be illegal" and offered "to 'negotiate' with respect to other practices found to be illegal which, in fact, were not terminated but continued after the date of the alleged purge" (Pet. 3). With respect to these illegal agreements, the purge was predicated on a mere offer to negotiate in violation of the rule in *B. B. Chemical Co., supra,* (Pet. 32, R. Br. 15, 33). Finally, Respondent in its brief points to no evidence, for there is no evidence in the record, of any affirmative act by it to dissipate "the anticompetitive consequences of its past illegal acts".

This is an aggravated case. It is in conflict with the standards for an effective purge repeatedly delineated by this Court. It typifies the growing trend in the lower federal courts to attenuate the misuse doctrine by unenthusiastic application of the sanctions prescribed for its violation. Review should be granted now to reverse this unfortunate

trend, to resolve the conflict in the lower courts, and to rehabilitate the misuse doctrine as a meaningful deterrent to the abuse of patent monopolies.

IV. THE "EQUIVALENTS" QUESTION 3

The Swift "combination" essentially consists of two "ingredients": (a) an old casing collar locator, and (b) *an old well surveying* system *or tool.*[15] These two old tools are connected to a common conductor which transmits a separately but simultaneously produced signal from each to a recorder at the well head. None of these "ingredients" was invented by Swift. Finding of Fact 63 states:

> "Magnetic casing collar locators and radioactivity well logging *systems* were separately known long prior to the invention of the Swift patent. It was also old long prior to the invention of the Swift patent to transmit multiple signals over a common conductor" (App. 89a-90a).

In the Swift patent claims, these old "ingredients" are functionally defined as "means . . . for performing a specified function without the recital of structure . . ." (35 U.S.C. 112).[16] The Swift claims were deliberately written in func-

---

[15] App. 13a, F.F. 63, App. 89a. The Swift ingredient (b) is *not* a mere radiation detector as Respondent urges (R. Br. 3, 35) — but an entire well surveying tool of which a radiation detector is but one of *many* component parts.

Petitioner substituted for the well surveying *system* ingredient (b) of the Swift combination, the Pringle system which was not known when the Swift application was filed and, in so doing, avoided infringement. See page 17, *infra.*

[16] Claim 5 of Swift defines the "combination" as follows:

Functional definition of well surveying system

> "5. In a system for logging cased wells having a capsule which is adapted to traverse the well and which contains **means** *for producing a varying signal proportionally related in its magnitude of variation to a selected physical property of the surrounding strata, a recorder driven in correlation with the depth of the capsule, and means*

tional terms to include all collar locators and all surveying tools when simultaneously utilized (F. F. 60, App. 88a).

35 U.S.C. 112 requires that such claims ". . . *shall* be construed to cover the corresponding structure, material, or acts described in the specification and *equivalents* thereof" (Pet. 37).

Petitioner admittedly does not use any well surveying system ingredient (b) described in the Swift patent (Pet. 37).

Petitioner *substituted* for the ingredient (b) described in the Swift "combination" the *Pringle* radioactivity well logging *system* "which was not known and had not been invented at the time the application for the Swift patent was filed on March 22, 1946" (Pet. 36, F. F. 90, App. 97a).

---

for transmitting the varying signal to the recorder for the operation of the same,

the improvement which comprises

Functional definition of casing collar locator

(**means** for detecting casing collars which are traversed by the capsule by producing signals indicative of their proximity,)

Multiple signal conductor

means for introducing said signals into the transmitting means of said system, whereby an indication of the casing collar signals will be produced on the record made by said recorder."

The italicized portion of the claim functionally defines the well surveying system ingredient (b) of the Swift combination. This functional definition includes all such systems including the systems disclosed in the expired Bender and Fearon patents.

The portion of the claim in parenthesis ( ) functionally defines the casing collar locator ingredient (a) of the Swift combination. This functional definition embraces *all* casing collar locators including the old locator which was the subject matter of the patent held invalid by this Court in *Halliburton Oil Well Cementing Co. v. Walker*, 329 U.S. 1, 91 L. Ed. 3, 67 S. Ct. 6 (1946).

On these facts, the "concurrent findings below" that Petitioner infringed the Swift patent are in conflict with 35 U.S.C. 112 and the controlling decisions of this Court.

At the time the statute was enacted, the law was clear, at least in this Court, that claims for combinations of old elements were *not* infringed by a substitution for one of the "ingredients", "if the ingredient substituted was a new one . . . or was not known *at the date* of the plaintiff's *patent* as a proper substitute for the one omitted, as in that event he does not infringe" (*Gill v. Wells*, 89 U.S. (22 Wall.) 1, 22 L. Ed. 699 (1874)). See also *Fuller v. Yentzer*, 94 U.S. 288, 24 L. Ed. 103 (1877) and *Halliburton Oil Well Cementing Co. v. Walker*, 329 U.S. 1, 91 L. Ed. 3, 67 S. Ct. 6 (1946) (Pet. 38).

The "date of the . . . patent" in the context of these cases means "the date the invention was made". It does *not* mean the issue date of the patent in suit as Respondent insists (R. Br. 3, 35).[17]

In *Gould v. Rees*, 82 U.S. (15 Wall.) 187, 21 L. Ed. 39 (1872), which antedated *Gill v. Wells, supra*, the Court held that "Where the defendant in constructing his machine . . . substitutes another [ingredient] in the place of the one omitted, *which . . . was not known at the date of the plaintiff's invention* as a proper substitute for the omitted ingredient, *then he does not infringe.*"

In the same case, the Court made it clear that the expression "date of the patent" as used in cases defining equivalents for claims to combinations of old elements means "the date of the plaintiff's invention".

---

[17] Petitioner's position is consistent on this issue. It is entirely clear (Pet. 36) that the expression "date of the patent" as used in Question 3 was intended to refer to the filing date as required by the relevant decisions of this Court, *supra*. (Cf. R. Br. 35).

This Court, at least, has never departed from this now statutory rule of "known equivalents". It represented the law in this Court in 1952 when 35 U.S.C. 112 was enacted.[18]

There is nothing in the legislative history which evidences any intent to change the law. *Per contra,* Congress expressly refused to vitiate the rule of "known equivalents" by enacting a version of section 112 which would have provided that the "means plus function claims" it authorized "shall be construed to cover the corresponding structure . . . described in the specification and equivalents thereof *whether or not known at the time the invention was made*" (Pet. 39, Note 26).

The rule of "known equivalents" is obviously correct in principle.

35 U.S.C. 132 limits a patentee's rights to the disclosure of his specification *on the date it is filed* by providing that "No amendment shall introduce new matter into the disclosure of the invention". Nor can the patentee by broad "functional" claiming stifle the further progress of the art by suppression of all subsequent invention in the same field. *O'Reilly v. Morse,* 56 U.S. (15 How.) 62, 14 L. Ed. 601 (1853); *Halliburton Oil Well Cementing Co. v. Walker, supra.* The rule properly forecloses similar unjust enrichment of the patentee at the expense of the public through application of the doctrine of equivalents.

Respondent's arguments based on alleged equivalency in 1938 of "scintillation counters, Geiger counters and ionization chambers" as *radiation detectors* (R. Br. 35) is inapposite. The "ingredient" of the Swift combination which Petitioner "substituted" was not a "radiation detector" —

---

[18] It is recognized that certain of the lower federal courts were, at the time the 1952 Act was passed, and are now in disagreement. This conflict in decision is a further reason for review of this question by this Court at this time.

but, rather, *a well logging system* of which a radiation detector is but one of many parts.

Respondent, tacitly recognizing that its position is untenable, attempts to compensate by a fallacious assertion of fact. It is simply not true, as Respondent asserts (R. Br. 35), that Fact Finding 30 "establishes that" "scintillation counters, Geiger counters and ionization chambers" were known to be equivalents "as radiation detectors *for radioactivity well logging*" prior to 1938. If this *were* so, both Bender and Fearon would be invalid since these patents claim the mere use of such "radiation detectors" *for* "radioactivity well logging" — and at least two of the prior art references on which Fact Finding 30 rests antedate not only the 1938 *issue* date of Bender but, also, the 1936 Bender filing date.[19]

Respondent's arguments that Question 3 was not raised below conflict with the statement in the decision below that

> "McCullough [Petitioner] contends here, as it did at the trial, that its device does not infringe Swift because that device has a different combination of parts and a different mode of operation. . . ." (App. 38a).

The McCullough (Petitioner) device is a "different combination of parts" *because* it includes a Pringle well survey-

---

[19] The "two" are the Johnston patent issued July 14, 1908 and the RCA work which, as indicated in the footnote on the first page of WSI Ex. 19, T-2, was completed prior to the October 23, 1935 date on which the paper embodying it was delivered to the Institute of Radio Engineers. The reference in the Finding to "Von Meyeren (McCullough Ex. 14)" seems to be erroneous.

These two references were unquestionably selected by Respondent in the trial court for this very reason, since the rule of "known equivalents" required references of such date to make out a case of infringement of Bender by Petitioner's tool which includes a scintillation counter not disclosed in Bender.

ing system rather than the system described in Swift. The trial court found as a fact that Pringle was not known as of the Swift filing date (F. F. 90, App. 97a) but nevertheless held Petitioner liable for infringement. The Court of Appeals affirmed. These rulings are wrong as a matter of law. They are properly subject to review here.

V. STANDARD OF INVENTION QUESTION 4

The decision below is a classic example of the debasement of the constitutional standard of invention in the lower federal courts.

The Court of Appeals gave lip service to *Great A. & P. Tea Co. v. Supermarket Equip. Corp.*, 340 U. S. 147, 95 L. Ed. 162, 71 S. Ct. 127 (1951) (App. 16a). It then proceeded to sustain the obviously aggregative Swift patent in total disregard of the criteria demanded by the *A. & P.* decision. The Swift "combination" patent was sustained below in the total absence of any evidence demonstrating any unusual or surprising result. The "new and useful result" attributed to Swift (App. 17a, F. F. 57, App. 86a) is nothing more than the cumulative consequence of the simultaneous operation of the two old devices associated in the "combination". Such assemblages of old devices have never been patentable under our laws. The private letters of Thomas Jefferson reflect the interpretation placed upon the "sufficiently useful and important" requirement of the 1790 Act by the Patent Board of which he was a member. In one of his letters, Jefferson said:

> ". . . If we have a right to use three things separately, I see nothing in reason, or in patent law, which forbids our using them all together. A man has a right to use a saw, an axe, a plane separately; may he not combine their uses on the same piece of wood?"[20]

[20] Letter to Oliver Evans, Washington Edition, Vol. VI, page 298 (1814).

Respondent (R. Br. 39) defends the decision below sustaining the Swift patent as a "purely factual" issue not subject to review here in view of the now outmoded "two court" rule delineated in *Williams Mfg. Co. v. United Shoe Mach. Corp.*, 316 U.S. 364, 86 L. Ed. 1537, 62 S. Ct. 1179 (1942).

Since the "requirement" for "invention" now codified in 35 U.S.C. 103 is constitutionally prescribed, the issue of patentability is a *legal* question subject to appellate review. To the extent that *Williams Mfg. Co. v. United Shoe Mach. Corp., supra, Goodyear Tire & Rubber Co. v. Ray-O-Vac Co.*, 321 U.S. 275, 88 L. Ed. 721, 64 S. Ct. 593 (1944) and *Graver Tank & Mfg. Co. v. Linde Air Products Co.*, 336 U. S. 271, 93 L. Ed. 672, 69 S. Ct. 535 (1949) may imply any different conclusion, they were overruled by *A. & P., supra*, and by the later decisions of this Court which rely upon *A. & P.* to reaffirm the fundamental principle that the application of a proper legal standard to the fact findings of a trial court in *any* field of law is necessarily reviewable on appeal.[21] The concurrence of Congress with this principle is demonstrated by the rejection of various proposed amendments to the statute which would have denominated "obviousness" or "invention" a "fact" question.[22]

---

[21] *Crest Specialty v. Trager*, 341 U.S. 912, 95 L. Ed. 1349, 71 S. Ct. 733 (1951); *Dalehite v. United States*, 346 U.S. 15, 97 L. Ed. 1427, 73 S. Ct. 956 (1953); *United States v. Parke, Davis & Co.*, 362 U.S. 29, 4 L. Ed. 2d 505, 80 S. Ct. 503 (1960); *United States v. Mississippi Valley Generating Co.*, 364 U.S. 520, 5 L. Ed. 2d 268, 81 S. Ct. 294 (1961).

[22] Study No. 7 of the Subcommittee on Patents, Trademarks and Copyrights of the Senate Committee on the Judiciary (Edwards, "Efforts to Establish a Statutory Standard of Invention", 85th Congress, 1st Session) records the fact that *prior* to the consideration of H.R. 3760, the House Subcommittee considered and allowed to die two proposed bills, both of which affirmatively denominated the question of patentability as one of fact. The first of such bills, a proposed

Significantly, *Goodyear* precipitated both the *nisi prius* and appellate opinions in *A. & P.*

In *Williams*, the dissenting opinion, with a considerable degree of omniscience, predicted that the patent in suit was "a stage of a process which the record shows began years before and is still continuing, a process by which it appears possible for the respondent to make the monopoly endless" by a "series of overlapping patents." (316 U.S. at 381, 382; 86 L. Ed. at 1549).

The seeds of this Court's decision came to fruit precisely as predicted by the dissent. See the discussion of "A Crowded Art" in *United Shoe Machinery Corp. v. Industrial Shoe Mach. Corp.*, 223 F. Supp. 826 (D. Mass. 1963), reversed in part 335 F. 2d 577 (1 Cir. 1964), *cert. den.* 379 U.S. 90, 13 L. Ed. 2d 610 (1965).

---

amendment to R.S. 4886 (35 U.S.C.A. 31), in pertinent part was as follows:

> "When, in any proceeding before any tribunal having jurisdiction to determine the patentability of a claim in a patent application or the validity of a claim of an issued patent, the issue arises in respect to the question of whether the subject matter defined by such claim amounts to invention, *that question shall be one of fact* and all evidence, relevant, competent, and material concerning the question shall be admissible. . . ."

The second bill, also proposed as an amendment to R.S. 4886 (35 U.S.C.A. 31), read:

> "(b) There shall be no criteria of patentable invention or discovery other than novelty (*beyond what is reasonably to be expected of the ordinary person exercising the mere routine skill of the art*) and utility; *and the existence of such novelty and utility to support patentability shall be* **facts** to be determined by the Commissioner of Patents in the first instance, and such determination by the Commissioner of Patents shall be final in any action or proceeding involving an issued patent unless the determination is clearly erroneous in view of all the evidence in any such action or proceeding."

VI. CONCLUSION

This Petition for a Writ of Certiorari should be granted.

EDWARD S. IRONS
1000 Connecticut Ave., N.W.
Washington, D.C.

R. WELTON WHANN
315 West Ninth Street
Los Angeles, Calif. 90015
Attorneys for Petitioner

Of Counsel:

JAMES E. HARRINGTON
3415 Ocean Boulevard
Corona del Mar, Calif

RICHARD B. McDERMOTT
Boesche, McDermott & Eskridge
Tulsa, Oklahoma 74103

APPENDIX

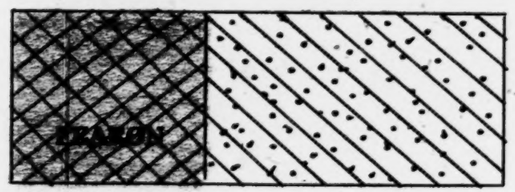
APPENDIX A

SCHEMATIC REPRESENTATION OF PATENT MONOPOLY EXTENSION INHERENT IN RESPONDENT'S PACKAGE "FIELD" LICENSES

I. The situation on *October 18, 1938* when Bender patent 2,133,736 (now Reissue patent 23,226) *issued*:

1. *Entire* field of radioactivity well surveying
   (a) covered by Bender patent;
   (b) subject to royalty-bearing licenses.

II. The situation as of a time just *prior* to the *expiration* of Bender on October 18, 1955:



Field

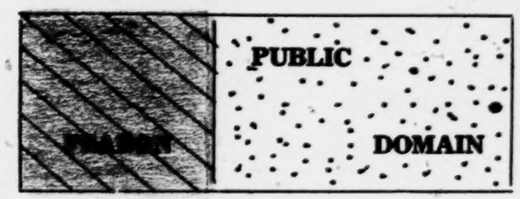
Patent Situation

1. *Entire* field still covered by Bender — now due to *expire*.
2. A *portion* of "field" shown in *red* covered by Bender and also Fearon "neutron logging" improvement patent 2,308,361, issued January 12, 1943, expired January 12, 1960.
3. Other portions of "field" shown in *black dots* are covered by Bender and also by 70 to 75 minor "improvement" patents (R. Br. 19) issued after Bender.

Royalty Situation

Entire field *still properly* subject to royalty-bearing licenses since Bender is still unexpired.

III. The situation *after* Bender *expired* on October 18, 1955:



Field

Patent Situation

1. *Entire* area again represents "field" of radioactivity well surveying.
2. *Entire white* portion of "field", *i.e.*, that portion *not* falling within either the red or the black-dot subareas of the Fearon and minor improvement patents is in the *public domain* due to the expiration of Bender. *All* technology in this area is dedicated to the unqualified free use of the public as a consideration for the spent monopoly.

Royalty Situation

1. Royalty *still* paid on *entire* field, notwithstanding Bender expiration, *because* Respondent's post-expiration licenses specify a "royalty base" which is defined to include the entire "field" of radioactivity well logging (F.F. 122, 127) and which is defined
   (a) *without* regard to scope of unexpired patent claims;
   (b) *without* regard to Respondent's obligation to dedicate subject matter of expired Bender patent to free use of public.

   By these field licenses, Respondent compromised its bargain with the people to totally relinquish the Bender invention when the patent expired. These agreements are illegal *per se*.

IV. The situat
ary 13, 19

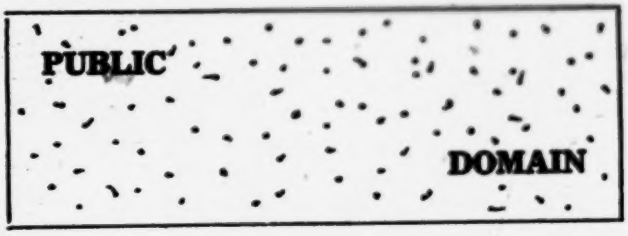
Patent Situatio

1. Entire "fie
domain, ex
representi
patents.

Royalty Situati

Responden
for *all* acti
expiration
in the pub
Bender an
unexpired

IV. The situation *after* Fearon expired on January 13, 1960:



Field

Patent Situation

1. Entire "field" (white area) is now in public domain, except for limited black dot subareas representing 70 to 75 minor improvement patents.

Royalty Situation

Respondent's "field" licensees still pay royalties for *all* activities within the field, including *post-expiration* royalties on operations exclusively in the public domain due to the expiration of Bender and Fearon, and *not* covered by *any un*expired patent. See III, this Appendix.

APPENDIX B

RESEARCH-SERVICE AND LICENSE AGREEMENT

This Agreement is made this 1st day of June, 1956, by and between

WELL SURVEYS, INCORPORATED, of Tulsa, Oklahoma, a corporation of Delaware, hereinafter called "W.S.I.",

and

LANE-WELLS COMPANY, of Los Angeles, California, a corporation of California, hereinafter called "LICENSEE".

I. RECITALS AND DEFINITIONS.

1.01 W.S.I. is a research organization working in the Field of Radioactivity Well Surveying which has developed and proven commercially certain methods and apparatus for surveying wells and which is conducting continued research in said field looking toward new developments and improvements in said field.

1.02 LICENSEE desires to obtain the benefit of W.S.I. research as embodied in Radioactivity Well Surveying methods and apparatus and a license under W.S.I. Patents to conduct Radioactivity Well Surveying operations for hire, and LICENSEE further desires that W.S.I. shall undertake to provide LICENSEE the opportunity to obtain such apparatus of W.S.I.'s design.

1.03 The term "Radioactivity Well Surveying" as used herein shall mean logging or surveying bore holes by the detection along a bore hole of neutral particles, charged particles or electromagnetic radiations coming either from the nucleus or from the outer particles of the atom or any other radioactive effects or radioactive radiations or combinations thereof emanating from the material within or traversed by the bore hole, whether these emanations represent a natural condition or result from irradiating the

formation with neutral particles, charged particles or electromagnetic radiations or any combination of them or are the result of a treatment of the formation or the bore hole capable of giving rise to such emanations, and by the utilization of these received radiations or particles to derive information concerning the nature or contents of the formation or the bore hole. The term "electromagnetic radiations" as used herein shall mean radiations having frequencies greater than that of ultraviolet light.

1.04 The term "Field of Radioactivity Well Surveying" as used herein shall mean all methods and apparatus used for Radioactivity Well Surveying.

1.05 The term "Radioactivity Survey" as used herein shall mean and include any logging and surveying operation in the Field of Radioactivity Well Surveying.

1.06 The term "Radioactivity Tracer Logging Service" shall mean either of the following: (a) a well logging service in which a radioactive tracer material is introduced into a single well (wherein a Radioactivity Survey may or may not have been previously conducted) and in which one or more Radioactivity Surveys are subsequently conducted in said well to obtain information regarding the effect of said tracer material; or (b) a well logging service wherein a radioactive tracer material is introduced into a control well (wherein a Radioactivity Survey may or may not have been previously conducted) and in which one or more Radioactivity Surveys are conducted in one or more adjacent wells for the purpose of obtaining information regarding transmission of said tracer material from said control well to said adjacent wells.

1.07 The term "Present Patents" as used herein shall mean United States patents owned or controlled by the granting party in the sense of having the right to grant licenses thereunder without accounting to others, which patents are based on inventions made on or before the date upon which the first instrument for use under this Agreement is delivered to LICENSEE and, if unlicensed, would be

infringed by a method or apparatus in the Field of Radioactivity Well Surveying.

1.08 The term "Schlumberger Patents" as used herein shall mean United States patents now or hereafter owned by Schlumberger Well Surveying Corporation to the extent that such patents claim inventions disclosed in applications filed in the United States Patent Office on or prior to January 1, 1951, and to the extent that such patents, if unlicensed, would be infringed by a method or apparatus in the Field of Radioactivity Well Surveying.

1.09 The term "Future Patents" as used herein shall mean United States patents other than Present Patents owned or controlled by the granting party in the sense of having the right to grant licenses thereunder without accounting to others which patents are based on inventions made prior to the Cut-Off Date and, if unlicensed, would be infringed by a method or apparatus in the Field of Radioactivity Well Surveying.

1.10 The term "Cut-Off Date" as herein used shall mean the termination date of this Agreement unless the Licensee, pursuant to the provisions of Article III, specifies a different date, in which event it shall mean the date so specified by Licensee.

II. GRANTS.

2.01 W.S.I. hereby grants to LICENSEE non-exclusively and non-transferably (except as hereinafter specified):

(a) a license under Present Patents of W.S.I. to to practice Radioactivity Well Surveying for others for hire; and

(b) an immunity from any claim, suit or liability for infringement of Schlumberger Patents arising from Radioactivity Well Surveying for others for hire in bore holes which have been drilled or used in connection with the search for or the ultimate production of oil or gas.

2.02* LICENSEE hereby grants to W.S.I., for Radioactivity Well Surveying and for making, having made and selling apparatus therefor and for experimentation of a purely research or development nature in the Field of Radioactivity Well Surveying, a non-exclusive, fully-paid license and right to sub-license others under the Present Patents of LICENSEE.

2.03 W.S.I. hereby grants to LICENSEE under the Future Patents of W.S.I. a non-exclusive, non-transferable (except as hereinafter specified) license to practice Radioactivity Well Surveying for others for hire and agrees to keep LICENSEE currently informed with respect to developments forming the basis for Future Patents, provided, however, that W.S.I. may, in keeping LICENSEE informed as aforesaid, exercise reasonable precautions against the disclosure of any inventions which would be premature with respect to the status of the development or the status of any application for patent thereon.

2.04 LICENSEE hereby grants to W.S.I., for Radioactivity Well Surveying and for making, having made and selling apparatus therefor and for experimentation of a purely research or development nature in the Field of Radioactivity Well Surveying, a non-exclusive, fully-paid license under the Future Patents of LICENSEE together with the non-exclusive, fully-paid right to extend sub-licenses under the Future Patents of LICENSEE, for Radioactivity Well Surveying only, to other W.S.I. licensees who shall grant to W.S.I. a similar sub-licensing right inuring to the benefit of LICENSEE, provided that W.S.I. shall not have the right to extend to another W.S.I. licensee a license under LICENSEE's Future Patents which are based on inventions made subsequent to the Cut-Off Date in the Agreement between W.S.I. and such other licensee.

---

* NOTE: *If a prospective* LICENSEE *believes it has Present Patents of significant value which would be affected by the grant in Section 2.02 and so advises W.S.I., then this provision of the form shall become the subject of negotiation looking toward its elimination or an agreement between W.S.I. and the prospective* LICENSEE *upon some further consideration to support this grant.*

2.05 Experimentation conducted by LICENSEE, in the Field of Radioactivity Well Surveying, which is of a purely research or development nature and for which LICENSEE receives no consideration from a stranger to this Agreement shall be considered licensed hereunder and shall not give rise to a claim for additional royalty.

III. MODIFICATION OF CUT-OFF DATE.

3.01 Upon execution and delivery of this Agreement or at any time thereafter LICENSEE may notify W.S.I. in writing that the Cut-Off Date shall be either

(a) the date upon which the first instrument for use under this Agreement is delivered to LICENSEE by W.S.I. or a W.S.I. licensed manufacturer, provided such delivery has not been made prior to the notice, or

(b) any other date subsequent to that specified in (a), at least six (6) months subsequent to the date of the notice and prior to the termination date of this Agreement.

3.02 The Cut-Off Date may be extended successively by LICENSEE pursuant to the provisions of Section 3.01, provided that notice of such extension is given to W.S.I. prior to the Cut-Off Date specified in the next preceding notice, and may not be further extended by any notice given subsequent to the Cut-Off Date specified in the next preceding notice.

IV. RESEARCH, EQUIPMENT AND SERVICE.

4.01 W.S.I. intends to continue its active program of research and development work in the Field of Radioactivity Well Surveying. During the term of this Agreement and subject to the provisions of Section 2.03, W.S.I. shall afford LICENSEE the benefits of such research and development work.

4.02 W.S.I. shall exercise its best efforts to maintain a source from which LICENSEE can procure at a reasonable price detecting and recording instruments of good quality

incorporating results of W.S.I. research and development work for use under this Agreement. W.S.I. shall similarly cooperate with LICENSEE relative to repairs and replacements for said instruments.

4.03 Since the Radioactivity Well Surveying described in Sections 2.01 and 2.03 requires the use of instruments, the licenses therein granted shall include the right in LICENSEE to make instruments for its own use and such right may be extended by LICENSEE to instrument manufacturers, but any such extension shall be specifically restricted to such instruments made for and actually used by LICENSEE pursuant to the terms and conditions of this Agreement and shall cease to exist if this Agreement is terminated or if the instrument is transferred to a stranger to this Agreement except in the event such transferee has a license under W.S.I. patents to use such instrument, in which event the instrument shall be considered as having been made for such transferee. Nothing herein contained shall be construed as requiring W.S.I. to give any aid or assistance to LICENSEE in the manufacture of instruments or equipment by LICENSEE or its agents for use hereunder.

V. PAYMENTS.

5.01 LICENSEE agrees to pay W.S.I. cash consideration in the sum of No ($0.00) Dollars upon execution and delivery of this Agreement.

5.02 LICENSEE agrees to pay W.S.I. as royalty on each well surveyed under this license granted by W.S.I. herein an amount equal to fifteen (15%) percent of the gross charge (exclusive of mileage) made for the surveys so conducted, provided that, until such time as fifty (50%) percent of the total royalty payable under this Agreement at the rate of fifteen (15%) percent shall equal the sum specified in Section 5.01, LICENSEE shall actually pay W.S.I. an amount equal to seven and one-half (7½%) percent of said gross charge.

5.03 In the event that a service involving Radioactivity Well Surveying is one of a combination of several different

services conducted by LICENSEE for the same customer on the same setup, at the same well and for a single price which is different from the total of the individual charges customarily made by LICENSEE for such services if performed separately, the "gross charge" for determining the royalty payable on such service involving Radioactivity Well Surveying shall be that proportion of the single price charged for said combined service which the individual charge customarily made by LICENSEE for the particular service involving Radioactivity Well Surveying is of the total of the individual charges made by LICENSEE for each of such services if performed separately. For the purposes of this Section 5.03, a Radioactivity Tracer Logging Service shall be construed as "on the same setup" and "at the same well" even though successive setups or a plurality of wells are actually employed in rendering such a service.

5.04 On or before the 20th day of each month LICENSEE shall furnish W.S.I. with a report in writing setting forth the following information pertaining to each well survey performed under this license during the preceding calendar month:

(a) Customer;

(b) Invoice number;

(c) Date of invoice;

(d) Amount on which royalty is payable;

and a summary including:

(e) Total, for all well surveys, of amounts specified in Item (d) above;

(f) Total royalty payable (Item (e) multiplied by royalty rate).

Each statement shall be accompanied with payment for the full amount of the total royalty payable for the month in question.

5.05 LICENSEE shall fix charges for Radioactivity Surveys conducted hereunder in its sole discretion but agrees that royalty payable hereunder shall not be less than would be

payable provided such charges were commensurate with the cost and value of said Radioactivity Surveys.

5.06 LICENSEE shall keep records adequate to verify the reports and payments made pursuant to Section 5.04, and W.S.I. shall have access once annually during regular business hours to LICENSEE's records to the extent and only to the extent necessary to verify said reports and payments.

5.07 If at any time during the term of this Agreement W.S.I. shall enter an agreement with any other party granting the same license rights under the Present Patents of W.S.I. and the same benefits of W.S.I. research and development work as are herein granted and afforded to LICENSEE at a royalty rate lower than the rate provided in this Agreement, then and in such event W.S.I. shall make such lower royalty rate available to LICENSEE for the purpose of computing all royalty payments from LICENSEE to W.S.I. which may fall due under this Agreement subsequent to the effective date of such agreement with such other party; provided, however, that if such license is granted to another party for whose Radioactivity Surveys W.S.I. is not obligated to pay to Schlumberger Well Surveying Corporation any or as much royalty as for the Radioactivity Surveys of LICENSEE, W.S.I. shall not be deemed to have violated this provision by granting to such other party a license at a royalty rate which is lower than that provided in the Agreement by the difference in the royalty rates required to be paid by W.S.I. for the Radioactivity Surveys of LICENSEE and such other party; provided further that W.S.I. may assign a fair value to patent rights on then-existing inventions or to other considerations of real value received from such other party without being deemed to have violated this provision; and provided further that, if the agreement with such other party contains one or more reasonably applicable provisions which would be less favorable to LICENSEE, the availability of such lower royalty rate to LICENSEE shall be contingent upon LICENSEE's acceptance of such less favorable provisions.

5.08 (This Section is attached at the end of this Agreement as page 8 [page 13a, *infra*].)

VI. TERMINATION.

6.01 In the event that suit for patent infringement is brought against LICENSEE, W.S.I. shall have the right to elect in writing, within sixty (60) days of receipt of written notice of said suit from LICENSEE, to defend and hold LICENSEE harmless from any judgment or expense arising from said suit insofar as applicable to use of apparatus acquired from or through W.S.I. If W.S.I. fails to make such election within said sixty (60) day period, LICENSEE shall have the right to terminate this Agreement within sixty (60) days thereafter, provided that:

(a) The suit be a bona fide suit for patent infringement by use of apparatus acquired from or through W.S.I., and such apparatus cannot be used in Radioactivity Well Surveying without involving the allegedly infringing use.

(b) LICENSEE shall have promptly notified W.S.I. in writing of any such suit.

(c) LICENSEE shall not have settled any such suit without first having obtained W.S.I.'s consent in writing.

If LICENSEE shall fail to exercise its right of termination within said period, it shall have waived its right of termination for the particular suit brought.

6.02 Upon W.S.I.'s election to hold LICENSEE harmless, W.S.I. shall, at its option, have sole charge and direction of said suit in LICENSEE's behalf, with the sole right to compromise or settle such suit, and LICENSEE shall render such reasonable assistance as W.S.I. may request in the defense of such suit. W.S.I. shall have fulfilled its obligation to hold LICENSEE harmless if W.S.I. has or acquires rights which would avoid the cause of action for such infringement and offers such rights to LICENSEE without additional cost.

6.03 If LICENSEE shall neglect or fail to render reports and make payments as and when due hereunder or shall otherwise be in default of any obligation under this Agreement or under any other Agreement between the parties hereto relating to the Field of Radioactivity Well Surveying, W.S.I. shall have the right to give written notice there-

of to LICENSEE, and if within sixty (60) days from and after the date of such notice LICENSEE shall not have cured such default, then W.S.I. may, at its option, cause this Agreement to terminate forthwith by giving written notice to that effect to LICENSEE.

6.04 LICENSEE may terminate this Agreement as of the fifth anniversary date hereof or as of any successive anniversary date thereafter by giving W.S.I. written notice of cancellation at least sixty (60) days prior to the anniversary date on which cancellation is to take effect.

6.05 Unless otherwise terminated pursuant to the provisions hereof this Agreement shall continue in full force and effect until the expiration date of the last W.S.I. patent to expire under which LICENSEE is licensed hereunder.

6.06 Termination of this Agreement shall not affect the obligations of LICENSEE to make any payments which shall have accrued up to the date of such termination, and the fact that W.S.I. shall not have terminated this Agreement pursuant to Section 6.03 because of one or more defaults by LICENSEE shall not prejudice the right of W.S.I. to effect termination for a subsequent default.

6.07 It is recognized that, in event of termination of this Agreement, LICENSEE may desire to use or sell Radioactivity Well Surveying apparatus previously acquired from W.S.I. or others, and that a further license under W.S.I. patents will then be necessary for such use by LICENSEE or its vendees of such apparatus as would, if unlicensed, infringe W.S.I. patents; therefore, W.S.I. agrees that in the event the use of said apparatus by LICENSEE or its vendees shall infringe any one or more W.S.I. patents, it will, following termination of this Agreement, grant upon reasonable terms to LICENSEE and/or any vendee of such apparatus, a license under W.S.I. patents, licensed under this Agreement at the time of termination, to use such previously acquired apparatus, it being the intention of this provision to give LICENSEE the right to continue to use and to transfer to a vendee the right to use said apparatus on a reasonable royalty basis as long as any of said W.S.I. patents applicable thereto would be infringed by such use.

VII. MISCELLANEOUS.

7.01 LICENSEE shall not be estopped to contest the validity of any patent included in Present Patents and Future Patents of W.S.I.

7.02 This Agreement may be assigned by LICENSEE to a successor of its entire Radioactivity Well Surveying business which successor shall subscribe to the terms and conditions hereof but shall not be otherwise assignable by LICENSEE without the written consent of W.S.I.

7.03 The addresses of the parties hereto, for the purpose of notices, payments and other communication provided for herein, shall be as follows:

WELL SURVEYS, INCORPORATED
P. O. Box 2656
Tulsa, Oklahoma

LANE-WELLS COMPANY
5610 South Soto Street
Los Angeles, California

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed by their proper officers duly authorized and their corporate seals to be affixed as of the date first named herein.

WELL SURVEYS, INCORPORATED

By RUSSELL M. OTIS
Vice President

Attest:

ROBERT K. SCHUMACHER
Asst. Secretary

(Seal)

LANE-WELLS COMPANY

By JOHN J. NEALE
President

Attest:

PAULINE R. HOFFMAN
Asst. Secretary

(Seal)

Addendum to Research-Service and License Agreement made this 1st day of June, 1956.

5.08 Inasmuch as LICENSEE has previously given valuable consideration for the right to a license under Schlumberger Patents and inasmuch as W.S.I. is therefore not obligated to pay Schlumberger Well Surveying Corporation for such license, the royalty rate specified in Section 5.02 shall be reduced by the current rate of royalty payable by W.S.I. to Schlumberger Well Surveying Corporation for Radioactivity Surveys conducted by another party granted substantially the same rights and benefits as granted LICENSEE under this agreement, other than the rights granted under this Section 5.08.

WELL SURVEYS, INCORPORATED

By RUSSELL M. OTIS

Vice President

(Seal)

LANE-WELLS COMPANY

By JOHN J. NEALE

President

(Seal)